

Message Text

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21

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 COME-00 DOTE-00 EB-07 FMC-01 CG-00 COA-01

DLOS-03 SWF-01 TRSE-00 AID-05 LAB-01 SIL-01 /073 W

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R 261901Z NOV 74

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 2122

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E.O. 11652: N/A

TAGS: ETRN, DR, US

SUBJECT: PUERTO RICAN MARITIME AUTHORITY

REF : A) SD 2980

B) SD 3151

1. DURING VISIT LAST WEEK TO PUERTO RICO THE AMBASSADOR AND THE ECONOMIC COUNSELOR HAD A LONG DISCUSSION WITH F.J. RAMOS ACOSTA, DEPUTY EXECUTIVE DIRECTOR OF THE NEW STATE-OWNED SHIPPING COMPANY SET UP BY THE COMMONWEALTH OF PUERTO RICO UNDER THE NAME OF PUERTO RICAN MARITIME SHIPPING AUTHORITY (NAVIERAS DE PUERTO RICO). THE FOLLOWING INFORMATION WAS OBTAINED PRIMARILY FROM RAMOS BUT WAS ALSO IN PART SUPPLEMENTED AND CONFIRMED BY CONVERSATIONS OVER A THREE-DAY PERIOD WITH THE GOVERNOR, SECRETARY OF STATE, SECRETARY OF FINANCE, AND SECRETARY OF COMMERCE OF PUERTO RICO.

2. AFTER FREIGHT RATES BETWEEN US AND PUERTO RICO INCREASED 48 PERCENT OVER PAST TWO YEARS AND NEWS WAS RECEIVED OF AN ADDITIONAL PROPOSED 12 PERCENT INCREASE, THE COMMONWEALTH DECIDED TO ACQUIRE ITS OWN SHIPPING LINE BY PURCHASING THE PUERTO RICAN SHIPPING INTEREST OF SEALAND, SEATRAN, AND TRANS-AMERICAN TRAILER TRANSPORTATION (TTT).

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3. CONTRARY TO INFORMATION REPORTED EARLIER, SEALAND HAS NOT REPEAT NOT BEEN AWARDED A MANAGEMENT CONTRACT FOR THE ENTIRE AUTHORITY. CURRENT PLANS ARE FOR SEATRAN TO MANAGE ROLL-ON ROLL-OFF OPERATIONS, AND SEALAND TO MANAGE ALL OTHER LOADING. THE OVERALL MANAGEMENT OF THE AUTHORITY IS STILL SOMEWHAT UP IN THE AIR, WITH THE AUTHORITY INCLINED TO TAKE THIS RESPONSIBILITY ITSELF.

4. ALTHOUGH TTT RECENTLY TRIED TO BACK OUT OF ITS SALE, IT HAS ONCE AGAIN COME AROUND AND THE AUTHORITY EXPECTS TO BE IN OPERATION EARLY NEXT YEAR. FOR THE TIME BEING THE AUTHORITY PLANS TO HANDLE ONLY SHIPPING TO AND FROM THE US, BUT RAMOS SPOKE OF EVEN HANDLING ARGENTINE MEAT SHIPMENT TO THE US. (HE APPARENTLY HAS NOT HEARD OF US RESTRICTIONS ON IMPORTS FROM FOOT-AND-MOUTH DISEASE AREAS.)

5. BOTH IN SEPARATE DISCUSSIONS WITH RAMOS AND IN THE GENERAL DISCUSSION AROUND THE GOVERNOR'S LUNCHEON TABLE, IT WAS STATED THAT PUERTO RICO WAS PREPARED TO FORM A JOINT COMPANY WITH THE GODR FOR ALL SHIPPING BETWEEN THE DOMINICAN REPUBLIC AND PUERTO RICO (ABOUT HALF OF ALL US-DOMINICAN SHIPPING IN BOTH DIRECTIONS ENTAILS TRANSSHIPPING IN SAN JUAN.) WHEN QUERIED, PUERTO RICANS SAID DOMINICANS HAD NOT YET BEEN BROACHED ON THE SUBJECT.

6. RAMOS HAD NO IDEA HOW MUCH CAPITAL DOMINICANS WOULD NEED TO PUT UP, NOR DID HE APPEAR TO HAVE FIRM IDEAS ABOUT HOW JOINT COMPANY WOULD BE MANAGED. WHEN RAMOS SAID JOINT COMPANY MIGHT BE SUBSIDIARY OF PUERTO RICAN COMPANY, THE AMBASSADOR WONDERED ALOUD WHETHER DOMINICANS WOULD LIKE IDEA OF JOINING A COMPANY WHICH WOULD SIMPLY BE A SUBSIDIARY OF PUERTO RICAN AUTHORITY. RAMOS REPLIED JOINT COMPANY MIGHT POSSIBLY BE INDEPENDENT WITH THE PUERTO RICAN AUTHORITY OWNING THE PUERTO RICAN SHARES.

7. DURING CONVERSATIONS WITH PUERTO RICAN OFFICIALS, THE AMBASSADOR AND ECONOMIC COUNSELOR REPORTED VARIOUS DOMINICAN CONCERNS STEMMING FROM THE FORMATION OF THE AUTHORITY, SUCH AS POSSIBLE (1) INCREASED COST, (2) LESS AVAILABILITY OF CONTAINERS, (3) SACRIFICE OF SERVICE TO DOMINICAN REPUBLIC IN INTEREST OF SERVING PUERTO RICO, (4) DECLINE IN FREQUENCY LIMITED OFFICIAL USE

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OF SERVICE, AND (5) DISCRIMINATORY RATES.

8. UPON HEARING OF THESE CONCERNS, THE GOVERNOR SAID THAT THE AUTHORITY HE ENVISAGED WAS ENTIRELY SERVICE-ORIENTED WITH NO INTENTION OF DISCRIMINATING AGAINST THE DOMINICAN REPUBLIC. THE AUTHORITY, HE SAID, WANTED TO GIVE GOOD SERVICE TO THE DOMINICAN REPUBLIC IN ORDER TO REALIZE ECONOMIES OF SCALE. HE FELT THAT PERHAPS MORE SHOULD BE DONE IN THE WAY OF REASSURING THE

DOMINICANS ON THIS SUBJECT. IT WAS IN THIS CONTEXT THAT THE OFFER OF A JOINT VENTURE WAS FIRST BROUGHT UP.

9. COMMENT: THE FORMATION OF THE PUERTO RICAN MARITIME SHIPPING AUTHORITY IS A SOURCE OF SOME CONCERN TO THE EMBASSY WHICH HAS NOT BEEN ENTIRELY ALLAYED BY DISCUSSIONS WITH THE PUERTO RICANS. INSTEAD OF CONTRACTING AN EXPERIENCED AMERICAN FIRM TO MANAGE THE AUTHORITY, AS EARLIER BELIEVED, IT APPEARS THAT THE PUERTO RICANS DO NOT YET KNOW THEIR OWN MIND BUT ARE LEANING TOWARD AN AUTHORITY DIVIDED AMONG THEIR OWN AGENCY AND TWO US FIRMS. THE PUERTO RICANS SAY THEY HOPE TO EFFECT ECONOMIES OF SCALE BY MERGING THREE COMPANIES, HOWEVER, THEY ADMIT THEY WILL STILL BE PAYING US LABOR RATES. THEY TALK OF REDUCING PERSONNEL WITHOUT APPEARING TO GIVE MUCH WEIGHT TO THE POWER OF US MARITIME UNIONS. AN ADDITIONAL SOURCE OF CONCERN IS THAT THE FORMATION OF THE AUTHORITY HAS STIMULATED THE DOMINICANS IN THE DIRECTION OF ACQUIRING THEIR OWN STATE MERCHANT MARINE IN SPITE OF THE DISASTROUS EXPERIENCE IN THIS AREA UNDER TRUJILLO.
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